

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FEAE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 FRB-03
OPIC-03 XMB-02 NSCE-00 SSO-00 USIE-00 INRE-00
NEAE-00 CCO-00 OTPE-00 FCC-01 OC-06 BIB-01 PA-01
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E.O. 11652: N/A
TAGS: EGEN, PFOR, IN, UR
SUBJECT: GROMYKO VISIT: SOVIET DELEGATION SIGNS AID, TRADE, AND
TELECOMMUNICATIONS AGREEMENTS

1. SOVIET FOREIGN MINISTER GROMYKO SIGNED TWO AGREEMENTS IN
NEW DELHI APRIL 27 AND DEPUTY FOREIGN TRADE MINISTER I.T.
GRISHIN SIGNED A THIRD IN THE CEREMONIAL FINALE TO GROMYKO'S
THREE DAY VISIT. CONCLUSION OF VISIT REPORTED SEPTEL. THIS MESSAGE
DEALS WITH THE THREE BILATERAL AGREEMENTS SIGNED YESTERDAY.

2. AID: MAJOR UNEXPECTED DEVELOPMENT WAS THE SIGNING OF
THE FIRST INDO-SOVIET AID AGREEMENT SINCE 1966. ACCORDING TO
PRESS ACCOUNTS, VALUE OF AID MADE AVAILABLE IS ROUBLES 250 MILLION,
WHICH PRESS NOTES "ROUGHLY" EQUALS RUPEES 2.25 BILLION (DOLS 257
MILLION AT DOLS 1 EQUALS RS. 8.75). TERMS ARE THREE YEAR GRACE
PERIOD, REPAYMENT OVER TWENTY YEARS AT 2.5 PERCENT ANNUAL
INTEREST. PRESS ACCOUNTS CALL ATTENTION TO THE FACT THAT TERMS
ARE CONSIDERABLY SOFTER THAN THOSE OF EARLIER SOVIET AID AGREEMENTS
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IN THAT LATTER CALLED FOR REPAYMENT IN TEN TO TWELVE YEARS.
STATED PURPOSES OF AID ARE DEVELOPMENT OF STEEL AND COAL INDUSTRIES,
AS WELL AS FOR "ANY OTHER INDUSTRIAL SECTOR SPECIFICALLY AGREED
UPON BETWEEN THE TWO SIDES". SOME PRESS ACCOUNTS SAY AID WILL BE
FOR "TECHNICAL KNOW-HOW" IN IMPLICIT CONTRAST TO MOST COMMON FORM
OF SOVIET AID, EQUIPMENT.

3. TRADE: GRISHIN AND GOI FOREIGN TRADE SECRETARY P.C. ALEXANDER SIGNED A SUPPLEMENT TO THE 1977 ANNUAL TRADE PLAN COVERING ONE MILLION TONS OF SOVIET CRUDE OIL EXPORTS AND THE EQUIVALENT (IN VALUE) INDIAN EXPORTS OF IRON, STEEL AND OTHER ITEMS. THE PRELIMINARY AGREEMENT FOR THIS EXCHANGE HAD BEEN REACHED DURING GRISHIN'S VISIT TO NEW DELHI LAST DECEMBER (76 NEW DELHI 18763). AN INDIAN DELEGATION WORKED OUT THE FINAL DETAILS OF THE EXCHANGE DURING A MOSCOW VISIT IN MID-FEBRUARY. AT THAT TIME THE VALUE OF THE EXCHANGE (TRADE BOTH WAYS) WAS PUT AT RS. 1.6 TO 1.7 BILLION (DOLS 185 TO 194 MILLION). IN TODAY'S PRESS ACCOUNTS, RS. 1.6 BILLION IS THE PREVALENT FIGURE, ALTHOUGH RS. 1.65 BILLION AND RS. 1.7 BILLION ALSO APPEAR.

4. THIS AGREEMENT, ACCORDING TO THE PRESS, RAISED THE TARGET FOR TWO-WAY TRADE BETWEEN INDIA AND THE SOVIET UNION FROM RS. 7.5 BILLION (DOLS 857 MILLION) TO OVER RS. 9 BILLION (DOLS 1029 MILLION). THESE FIGURES ARE, HOWEVER, IN CONFLICT WITH THE RS. 9 BILLION VALUE ATTRIBUTED TO THE 1977 BILATERAL TRADE PLAN WHEN IT WAS SIGNED LAST DECEMBER, WHICH DID NOT INCLUDE THE OIL DEAL.

5. TELECOMMUNICATIONS: THE THIRD AGREEMENT PROVIDED FOR SOVIET TECHNICAL ASSISTANCE TO INDIA IN THE ESTABLISHMENT OF A TROPIC-SCATTER MICROWAVE STATION PROVIDING DIRECT TELECOMMUNICATIONS CHANNELS BETWEEN THE TWO COUNTRIES THE FIRST TIME. THE PROJECT HAS BEEN UNDER CONSIDERATION FOR SOME TIME. (FOUR YEARS, ACCORDING TO ONE ACCOUNT), AND THE FEASIBILITY STUDY WAS REPORTEDLY COMPLETED A YEAR AGO. THE INDIAN STATION, PROJECTED TO COST RS. 39 MILLION (DOLS 4.5 MILLION), WILL BE LOCATED IN SRINAGAR, KASHMIR, AND THE SOVIET STATION IN TASHKENT. NO LIMITED OFFICIAL USE

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SOVIET EQUIPMENT AID IS NEEDED SINCE THE INDIAN STATION WILL BE CONSTRUCTED ENTIRELY FROM LOCALLY MANUFACTURED EQUIPMENT.

6. COMMENT: THE NEW AID AGREEMENT MUST BE INTERPRETED IN THE LIGHT OF THE LARGE BALANCES STILL UNDISBURSED FROM THE INDO-SOVIET AID AGREEMENTS OF THE 1960'S. AS OF SEPTEMBER 1976, THAT FIGURE CAME TO RS. 2.66 BILLION-- AN AMOUNT ALMOST PRECISELY EQUAL TO THE VALUE OF YESTERDAY'S AGREEMENT IF A SLIGHTLY HIGHER EXCHANGE RATE IS APPLIED TO THE ROUBLE FIGURE (I.E.; ONE ROUBLE EQUALS 10.64 RUPEES). INsofar AS THE GOI DRAWS DOWN FUTURE DISBURSEMENTS FROM THE NEW CREDIT RATHER THAN THE OLD CREDITS, IT HAS MERELY ROLLED OVER ITS CREDIT LINE ON TERMS-- AS FAR AS WE NOW KNOW THEM--MORE ADVANTAGEOUS TO ITSELF.

7. AT THIS POINT, WE WOULD CALL ATTENTION TO TWO MISSING PIECES OF INFORMATION: FIRST, NO PRESS ACCOUNT REFERS IN ANY WAY TO WHETHER THE REPAYMENTS UNDER THE NEW AGREEMENT WILL BE THROUGH THE STANDARD RUPEE CLEARING ACCOUNT, RAISING THE POSSIBILITY THAT THE AGREEMENT MIGHT CONTAIN SOME MODIFICATION OF THAT SYSTEM.

SECOND, THE HEART OF THE RUPEE-ROUBLE EXCHANGE RATE CONTROVERSY IS THE IMPACT OF ANY REVISED RATE ON THE REPAYMENT OF INDIA'S DEBT UNDER PREVIOUS CREDIT AGREEMENTS. THE APPARENT SHIFT OF UN-DISBURSED BALANCES TO A NEW AGREEMENT MAY BE CONNECTED WITH THAT ISSUE.

8. WE WILL BE PURSUING THESE QUESTIONS, AS WELL AS CLARIFICATION OF THE TRADE LEVEL FIGURES AND OTHER ISSUES, IN THE DAYS AHEAD, AND REPORT AS INFORMATION BECOMES AVAILABLE.
SCHNEIDER

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